



TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(Expressed in Millions of New Taiwan Dollars ("NTD") and U.S. Dollars ("USD")) ⁽¹⁾

ASSETS	June 30, 2018 (Unaudited)			March 31, 2018 (Unaudited)		June 30, 2017 (Unaudited)		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	Amount	%	Amount	%
Current Assets											
Cash and Cash Equivalents	\$ 20,708	\$ 632,230	30.8	\$ 577,783	28.2	\$ 570,467	28.7	\$ 54,447	9.4	\$ 61,763	10.8
Investments in Marketable Financial Instruments	3,822	116,692	5.7	106,592	5.2	88,483	4.5	10,100	9.5	28,209	31.9
Accounts Receivable	2,889	88,196	4.3	107,781	5.3	110,329	5.5	(19,585)	(18.2)	(22,133)	(20.1)
Inventories	3,244	99,032	4.8	85,216	4.1	61,011	3.1	13,816	16.2	38,021	62.3
Other Current Assets	750	22,893	1.1	51,745	2.5	7,760	0.4	(28,852)	(55.8)	15,133	195.0
Total Current Assets	31,413	959,043	46.7	929,117	45.3	838,050	42.2	29,926	3.2	120,993	14.4
Non-current Assets											
Long-term Investments	945	28,835	1.4	34,377	1.7	43,818	2.2	(5,542)	(16.1)	(14,983)	(34.2)
Property, Plant and Equipment	33,877	1,034,268	50.4	1,055,366	51.5	1,077,627	54.2	(21,098)	(2.0)	(43,359)	(4.0)
Intangible and Other Non-current Assets	1,024	31,267	1.5	30,296	1.5	26,939	1.4	971	3.2	4,328	16.1
Total Non-current Assets	35,846	1,094,370	53.3	1,120,039	54.7	1,148,384	57.8	(25,669)	(2.3)	(54,014)	(4.7)
Total Assets	\$ 67,259	\$ 2,053,413	100.0	\$ 2,049,156	100.0	\$ 1,986,434	100.0	\$ 4,257	0.2	\$ 66,979	3.4
LIABILITIES AND SHAREHOLDERS' EQUITY											
Current Liabilities											
Short-term Loans	\$ 1,010	\$ 30,835	1.5	\$ 56,731	2.8	\$ 54,745	2.8	\$ (25,896)	(45.6)	\$ (23,910)	(43.7)
Accounts Payable	1,005	30,663	1.5	29,042	1.4	25,612	1.3	1,621	5.6	5,051	19.7
Payables to Contractors and Equipment Suppliers	1,297	39,603	1.9	47,828	2.3	50,377	2.5	(8,225)	(17.2)	(10,774)	(21.4)
Cash Dividends Payable	6,797	207,519	10.1	-	-	181,627	9.1	207,519	-	25,892	14.3
Accrued Expenses and Other Current Liabilities	4,536	138,477	6.7	159,277	7.8	131,281	6.6	(20,800)	(13.1)	7,196	5.5
Current Portion of Bonds Payable and Bank Loans	521	15,900	0.8	49,357	2.4	79,865	4.0	(33,457)	(67.8)	(63,965)	(80.1)
Total Current Liabilities	15,166	462,997	22.5	342,235	16.7	523,507	26.3	120,762	35.3	(60,510)	(11.6)
Non-current Liabilities											
Bonds Payable	2,732	83,400	4.1	83,400	4.1	99,300	5.0	-	-	(15,900)	(16.0)
Other Non-current Liabilities	536	16,381	0.8	16,916	0.8	21,261	1.1	(535)	(3.2)	(4,880)	(23.0)
Total Non-current Liabilities	3,268	99,781	4.9	100,316	4.9	120,561	6.1	(535)	(0.5)	(20,780)	(17.2)
Total Liabilities	18,434	562,778	27.4	442,551	21.6	644,068	32.4	120,227	27.2	(81,290)	(12.6)
Equity Attributable to Shareholders of the Parent											
Capital Stock at Par Value	8,493	259,304	12.6	259,304	12.7	259,304	13.1	-	-	-	-
Capital Surplus	1,844	56,308	2.7	56,305	2.7	56,283	2.8	3	-	25	-
Legal Capital Reserve	9,042	276,034	13.5	241,723	11.8	241,723	12.2	34,311	14.2	34,311	14.2
Special Capital Reserve	881	26,907	1.3	-	-	-	-	26,907	-	26,907	-
Unappropriated Earnings	29,038	886,529	43.2	1,082,967	52.9	802,673	40.4	(196,438)	(18.1)	83,856	10.4
Others	(494)	(15,081)	(0.7)	(34,401)	(1.7)	(18,297)	(0.9)	19,320	(56.2)	3,216	(17.6)
Equity Attributable to Shareholders of the Parent	48,804	1,490,001	72.6	1,605,898	78.4	1,341,686	67.6	(115,897)	(7.2)	148,315	11.1
Noncontrolling Interests	21	634	-	707	-	680	-	(73)	(10.3)	(46)	(6.8)
Total Shareholders' Equity	48,825	1,490,635	72.6	1,606,605	78.4	1,342,366	67.6	(115,970)	(7.2)	148,269	11.0
Total Liabilities & Shareholders' Equity	\$ 67,259	\$ 2,053,413	100.0	\$ 2,049,156	100.0	\$ 1,986,434	100.0	\$ 4,257	0.2	\$ 66,979	3.4

Note :
(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the rate of NT\$30.530 as of June 30, 2018.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

For the Three Months Ended June 30, 2018, March 31, 2018, June 30, 2017

(Expressed in Millions of New Taiwan Dollars ("NTD") and U.S. Dollars ("USD") ⁽¹⁾)

Except for Per Share Amounts and Shares Outstanding)

	2Q 2018			1Q 2018		2Q 2017		QoQ		YoY	
	USD	NTD	%	NTD	%	NTD	%	NTD	%	NTD	%
Net Revenue	\$ 7,853	\$ 233,276	100.0	\$ 248,079	100.0	\$ 213,856	100.0	\$ (14,803)	(6.0)	\$ 19,420	9.1
Cost of Revenue	(4,099)	(121,746)	(52.2)	(123,221)	(49.7)	(105,148)	(49.2)	1,475	(1.2)	(16,598)	15.8
Gross Profit	3,754	111,530	47.8	124,858	50.3	108,708	50.8	(13,328)	(10.7)	2,822	2.6
Operating Expenses											
Research and Development Expenses	(670)	(19,891)	(8.5)	(20,429)	(8.2)	(19,057)	(8.9)	538	(2.6)	(834)	4.4
Sales, General and Administrative Expenses	(220)	(6,548)	(2.8)	(6,300)	(2.6)	(6,309)	(3.0)	(248)	3.9	(239)	3.8
Total Operating Expenses	(890)	(26,439)	(11.3)	(26,729)	(10.8)	(25,366)	(11.9)	290	(1.1)	(1,073)	4.2
Other Operating Income and Expenses	(22)	(663)	(0.3)	(1,302)	(0.5)	(86)	-	639	49.1	(577)	(670.9)
Income from Operations	2,842	84,428	36.2	96,827	39.0	83,256	38.9	(12,399)	(12.8)	1,172	1.4
Non-operating Income and Expenses											
Share of Profits of Associates	9	266	0.1	682	0.3	618	0.3	(416)	(61.0)	(352)	(57.0)
Net Interest Income (Expenses)	99	2,944	1.2	2,346	1.0	1,644	0.8	598	25.5	1,300	79.1
Other Gains and Losses	(2)	(51)	-	89	-	600	0.3	(140)	(157.3)	(651)	(108.5)
Total Non-operating Income and Expenses	106	3,159	1.3	3,117	1.3	2,862	1.4	42	1.3	297	10.4
Income Before Income Tax	2,948	87,587	37.5	99,944	40.3	86,118	40.3	(12,357)	(12.4)	1,469	1.7
Income Tax Expenses	(514)	(15,294)	(6.5)	(10,156)	(4.1)	(19,847)	(9.3)	(5,138)	50.6	4,553	(22.9)
Net Income	2,434	72,293	31.0	89,788	36.2	66,271	31.0	(17,495)	(19.5)	6,022	9.1
Other Comprehensive Income (Losses)	648	19,256	8.2	(7,187)	(2.9)	1,409	0.6	26,443	NM	17,847	1266.6
Comprehensive Income	\$ 3,082	\$ 91,549	39.2	\$ 82,601	33.3	\$ 67,680	31.6	\$ 8,948	10.8	\$ 23,869	35.3
Net Income Attributable to:											
Shareholders of the Parent	\$ 2,434	\$ 72,290	31.0	\$ 89,785	36.2	\$ 66,271	31.0	\$ (17,495)	(19.5)	\$ 6,019	9.1
Noncontrolling Interests	-	3	-	3	-	-	-	-	-	3	-
	\$ 2,434	\$ 72,293	31.0	\$ 89,788	36.2	\$ 66,271	31.0	\$ (17,495)	(19.5)	\$ 6,022	9.1
Earnings per Share - Diluted	\$ 0.09	\$ 2.79		\$ 3.46		\$ 2.56		\$ (0.67)	(19.5)	\$ 0.23	9.1
Earnings per ADR - Diluted (2)	\$ 0.47	\$ 13.94		\$ 17.31		\$ 12.78		\$ (3.37)	(19.5)	\$ 1.16	9.1
Weighted Average Outstanding Shares - Diluted ('M)		25,930		25,930		25,930					

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NT\$29.707 for the second quarter of 2018.

(2) 1 ADR equals 5 ordinary shares.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

(Expressed in Millions of New Taiwan Dollars ("NTD") and U.S. Dollars ("USD") ⁽¹⁾)

Except for Per Share Amounts and Shares Outstanding)

	For the Six Months Ended June 30						
	2018			2017		YoY	
	USD	NTD	%	NTD	%	NTD	%
Net Revenue	\$ 16,312	\$ 481,355	100.0	\$ 447,770	100.0	\$ 33,585	7.5
Cost of Revenue	(8,301)	(244,967)	(50.9)	(217,572)	(48.6)	(27,395)	12.6
Gross Profit	8,011	236,388	49.1	230,198	51.4	6,190	2.7
Operating Expenses							
Research and Development Expenses	(1,366)	(40,320)	(8.4)	(38,470)	(8.6)	(1,850)	4.8
Sales, General and Administrative Expenses	(436)	(12,848)	(2.6)	(13,053)	(2.9)	205	(1.6)
Total Operating Expenses	(1,802)	(53,168)	(11.0)	(51,523)	(11.5)	(1,645)	3.2
Other Operating Income and Expenses	(67)	(1,965)	(0.4)	(67)	-	(1,898)	(2832.8)
Income from Operations	6,142	181,255	37.7	178,608	39.9	2,647	1.5
Non-operating Income and Expenses							
Share of Profits of Associates	32	948	0.2	1,285	0.3	(337)	(26.2)
Net Interest Income (Expenses)	179	5,290	1.1	2,932	0.7	2,358	80.4
Other Gains and Losses	2	38	-	1,115	0.2	(1,077)	(96.6)
Total Non-operating Income and Expenses	213	6,276	1.3	5,332	1.2	944	17.7
Income before Income Tax	6,355	187,531	39.0	183,940	41.1	3,591	2.0
Income Tax Expenses	(862)	(25,450)	(5.3)	(30,048)	(6.7)	4,598	(15.3)
Net Income	5,493	162,081	33.7	153,892	34.4	8,189	5.3
Other Comprehensive Income (Losses)	409	12,069	2.5	(19,943)	(4.5)	32,012	NM
Comprehensive Income	\$ 5,902	\$ 174,150	36.2	\$ 133,949	29.9	\$ 40,201	30.0
Net Income (Losses) Attributable to:							
Shareholders of the Parent	\$ 5,493	\$ 162,075	33.7	\$ 153,900	34.4	\$ 8,175	5.3
Noncontrolling interests	-	6	-	(8)	-	14	NM
	\$ 5,493	\$ 162,081	33.7	\$ 153,892	34.4	\$ 8,189	5.3
Earnings per Share - Diluted	\$ 0.21	\$ 6.25		\$ 5.94		\$ 0.31	5.3
Earnings per ADR - Diluted (2)	\$ 1.06	\$ 31.25		\$ 29.68		\$ 1.57	5.3
Weighted Average Outstanding Shares - Diluted (M)		25,930		25,930			

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NT\$29.509 for the six months ended June 30, 2018.

(2) 1 ADR equals 5 ordinary shares.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED AND SUBSIDIARIES

Consolidated Condensed Cash Flow Statements

For the Six Months Ended June 30, 2018 and for the Three Months Ended June 30, 2018, March 31, 2018 and June 30, 2017

(Expressed in Millions of New Taiwan Dollars ("NTD") and U.S. Dollars ("USD")) ⁽¹⁾

	Six Months 2018 (Unaudited)		2Q 2018 (Unaudited)	1Q 2018 (Unaudited)	2Q 2017 (Unaudited)
	USD	NTD	NTD	NTD	NTD
Cash Flows from Operating Activities:					
Income before Income Tax	\$ 6,355	\$ 187,531	\$ 87,587	\$ 99,944	\$ 86,118
Depreciation & Amortization	4,843	142,907	71,409	71,498	57,993
Share of Profits of Associates	(32)	(948)	(266)	(682)	(618)
Income Taxes Paid	(1,075)	(31,709)	(31,329)	(380)	(38,787)
Changes in Working Capital & Others	(247)	(7,282)	2,372	(9,654)	(1,306)
Net Cash Generated by Operating Activities	<u>9,844</u>	<u>290,499</u>	<u>129,773</u>	<u>160,726</u>	<u>103,400</u>
Cash Flows from Investing Activities:					
Interest Received	\$ 225	\$ 6,636	\$ 3,496	\$ 3,140	\$ 2,483
Cash Dividend Received	13	373	373	-	288
Acquisitions of:					
Property, Plant and Equipment	(4,457)	(131,528)	(59,681)	(71,847)	(105,188)
Marketable Financial Instruments	(1,618)	(47,736)	(23,170)	(24,566)	(23,675)
Financial Assets Carried at Cost	-	-	-	-	(273)
Proceeds from Disposal or Redemption of:					
Property, Plant and Equipment	4	117	70	47	18
Marketable Financial Instruments	1,372	40,483	19,811	20,672	28,852
Financial Assets Carried at Cost	-	-	-	-	50
Others	(64)	(1,880)	(975)	(905)	(775)
Net Cash Used In Investing Activities	<u>(4,525)</u>	<u>(133,535)</u>	<u>(60,076)</u>	<u>(73,459)</u>	<u>(98,220)</u>
Cash Flows from Financing Activities:					
Decrease in Short-term Loans	\$ (1,144)	\$ (33,744)	\$ (27,969)	\$ (5,775)	\$ (40)
Repayment of Bonds and Interest – Prepaid	-	-	33,999	(33,999)	-
Repayment of Bonds	(1,712)	(50,525)	(33,725)	(16,800)	-
Repayment of Long-term Bank Loans	-	-	-	-	(2)
Interest Paid	(52)	(1,543)	(545)	(998)	(126)
Others	(39)	(1,161)	(1,106)	(55)	(471)
Net Cash Used in Financing Activities	<u>(2,947)</u>	<u>(86,973)</u>	<u>(29,346)</u>	<u>(57,627)</u>	<u>(639)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	\$ 300	\$ 8,847	\$ 14,096	\$ (5,249)	\$ 1,201
Net Increase in Cash and Cash Equivalents	<u>2,672</u>	<u>78,838</u>	<u>54,447</u>	<u>24,391</u>	<u>5,742</u>
Cash and Cash Equivalents at Beginning of Period	<u>18,753</u>	<u>553,392</u>	<u>577,783</u>	<u>553,392</u>	<u>564,725</u>
Cash and Cash Equivalents at End of Period	<u>\$ 21,425</u>	<u>\$ 632,230</u>	<u>\$ 632,230</u>	<u>\$ 577,783</u>	<u>\$ 570,467</u>

Note:

(1) Amounts in New Taiwan dollars have been translated into U.S. dollars at the weighted average rate of NT\$29.509 for the six months ended June 30, 2018.